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TAGS: [EPET](#) [ENRG](#) [ECON](#) [QA](#) [IR](#) [RS](#)
SUBJECT: SKEPTICISM GREET'S IRANIAN STATEMENT ON GAS PRICING
FORMULA

REF: DOHA 472

KEY POINTS

-- In late September, Iran announced its desire to achieve consensus on a pricing formula among gas exporting countries.

-- Senior oil and gas officials in Doha told us they are confident that Iranian efforts will prove unsuccessful because of pricing formulas already built into oil and gas contracts.

-- According to Iranian press reports, Iran plans to raise the issue at the Gas Exporting Countries Forum (GECF) experts committee meeting, to be held in Doha just prior to the ministerial meeting scheduled for December.

-- Current GECF members include Iran, Algeria, Qatar, Algeria Bolivia, Brunei, Egypt, Equatorial Guinea, Indonesia, Malaysia, Nigeria, Trinidad and Tobago, UAE and Venezuela.

(C) COMMENTS

-- Given Qatar's proximity to Iran and desire not to muddy bilateral waters, the GOQ may decide to reach a pro forma understanding about gas prices with GECF members; however, in practice it would be difficult for the GOQ to break long-term contracts with western oil and gas firms, such as BP, Conoco/Philips and Total, because of the pricing formulas in place and Qatar's desire to be a respected trading partner.

END KEY POINTS AND COMMENTS

1. (C) Media reported 21 September that Iran's representative to the Gas Exporting Countries Forum (GECF), Mohammed Ali Khatibi, announced Iranian government plans to seek consensus among GECF members over a pricing formula for gas supplies to world markets. However, the expatriate country managers for BP and Conoco/Phillips and a senior Exxon Mobil employee told Embassy officers they were confident that Iran's effort would be unsuccessful because of pricing formulas already built into long-term contracts between the GOQ and western oil and gas firms, such as BP, Conoco/Philips and Total. Further, these company representatives said, the Iranian government has made similar statements in the past which have not been acted upon.

2. (C) The oil and gas company representatives told us, while confident that pricing formulas in existing contracts were sufficient to deter the GOQ from agreeing to price-fixing, they recognized that the GOQ may want to appear to reach an understanding on the issue with GECF members for political reasons. However, they said, any agreement or understanding reached between GECF members would not be enforced and would only be for show. Brian Hunter, the head

of BP's operations in Qatar, told PolOff Petty that given the large amount of gas exports to the UK, the GOQ would not want to jeopardize its relationship with British Government by actually entering into any price-fixing agreement.

13. (U) In his statement, Khatibi said Tehran plans to raise the issue during the upcoming GECF,s experts committee meeting, slated to take place in Doha shortly before the ministerial meeting scheduled for December 9. GECF member states, which include Iran, Algeria, Qatar, Algeria Bolivia, Brunei, Egypt, Equatorial Guinea, Indonesia, Malaysia, Nigeria, Trinidad and Tobago, UAE and Venezuela, reportedly continue to consult on the exact timing and procedures to be followed for the experts, meeting.

14. (U) Press reports indicate the tentative agenda for the ministerial meeting includes the selection of a secretary-general and the opening of the organization's permanent secretariat in Qatar. Additionally, GECF members plan to review global gas prices and will most likely discuss any issues elevated to it from the experts' committee meeting, including presumably the Iranian proposal to set a pricing formula for gas supplies.

LeBaron